USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Required Report - public distribution

Date: 4/24/2008

GAIN Report Number: IS8012

Israel

Oilseeds and Products

Annual

2008

Approved by:
Chris Rittgers
U.S. Embassy, Cairo

Prepared by:
Gilad Shachar

Report Highlights:
Israel is completely dependent on imports of soybeans to meet its feed needs. In 2007/08, only moderate growth in soybean use and imports is expected. A recently signed free trade agreement with Mercosur countries will lower duties on Mercosur meal imports to be equivalent to duties on U.S. meal after a 4 year implementation period. As a result, the relative competitiveness of U.S. soy meal exports to Israel will be eroded.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Annual Report
Tel Aviv [IS1]
[IS]

Executive Summary

During the first five months of marketing year 2007/08 (October 2007 through February 2008) soybean imports increased by 8 percent, while oil meal imports decreased by 44 percent, compared to the same period in the previous year. In 2006/07 (October through September), the U.S. market share for soybeans totaled nearly 36 percent, unchanged from the previous year, while U.S. meal sales increased significantly (from 0 percent market share in 2005/06 to 18.5 percent market share in 2006/07). As a result of the high price of U.S. soy meal combined with high shipping costs, it is expected that American soy meal imports in 2007/08 will decrease and will total about 20-25 tmt, compared to 75 tmt in 2006/07.

Following trends in the international market, local soy meal prices increased significantly during 2007. It is the second consecutive year that local feed millers and processing plants have shown a preference for imports of Sunflower meal and Hi-Pro oil meals, and this trend is continuing during 2007/08.

Recently Israel signed a free trade agreement with Mercosur, including agreement on Trade in Agricultural Products. According to the agreement, during the first four years, the tariff on soy meal will decrease in 4 steps and will reach 4.5 percent (same as in the U.S.-Israel ATAP) in the end of the four years. As a result of the projected decreased tariff on Mercosur soy meals, the relative competitiveness of U.S. soy meal will be eroded.

Oilseeds

PSD Table Israel Oilseed, Soybean										
	2006	Revised		2007	Estimate		2008	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		10/2006	10/2006		10/2007	10/2007		10/2008	10/2008	MM/YYYY
Area Planted	0	0	0	0	0	0	0	0	0	(1000 HA)
Area Harvested	0	0	0	0	0	0	0	0	0	(1000 HA)
Beginning Stocks	12	35	12	10	35	18	10	0	28	(1000 MT)
Production	0	0	0	0	0	0	0	0	0	(1000 MT)
MY Imports	450	650	576	475	0	590	0	0	600	(1000 MT)
MY Imp. from U.S.	239	162	206	300	0	213	0	0	220	(1000 MT)
MY Imp. from the EC	0	0	0	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	462	685	588	485	35	608	10	0	628	(1000 MT)
MY Exports	0	0	0	0	0	0	0	0	0	(1000 MT)
MY Exp. to the EC	0	0	0	0	0	0	0	0	0	(1000 MT)
Crush Dom. Consumption	430	630	550	445	0	560	0	0	573	(1000 MT)
Food Use Dom. Consump.	15	15	15	20	0	15	0	0	17	(1000 MT)
Feed,Seed,Waste Dm.Cn.	7	5	7	10	0	7	0	0	8	(1000 MT)
TOTAL Dom. Consumption	452	650	570	475	0	580	0	0	598	(1000 MT)
Ending Stocks	10	35	18	10	0	28	0	0	30	(1000 MT)
TOTAL DISTRIBUTION	462	685	588	485	0	608	0	0	628	(1000 MT)
Calendar Year Imports	450	635	558	500	0	565	0	0	590	(1000 MT)
Calendar Yr Imp. U.S.	251	152	251	270	0	204	0	0	215	(1000 MT)
Calendar Year Exports	0	0	0	0	0	0	0	0	0	(1000 MT)
Calndr Yr Exp. to U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)

Production

No oilseeds are produced for crushing. In 2007, confectionary sunflower seed production totaled 13,200 tons, of which 10,000 tons (76 percent) were exported, primarily to Spain. Also in 2007, about 18,000 tons (12 percent up) of peanuts were produced, of which 9,300 tons (52 percent) were exported. In 2008, planted area for peanuts and sunflower is estimated at 3,500 and 9,000 ha, respectively.

Prices

In 2008, the local price for sunflower seed is expected to reach NIS6,000 ($1,714[1]) per ton for premium quality, a 20 percent increase compared to the previous year ($1,400-$1450 per ton for premium quality).

Consumption

Total consumption of soybeans is forecast to remain relatively constant at 560-585 tmt in 2007/08. While soy demand still derives largely from the livestock feed compounding sector, there is an increasing demand for soy based meat substitutes for human consumption. In 2007, the local market value of such foods is estimated at $68-69 million. The market value has grown by 2 percent compared to the previous year and is expected to continue to grow in the next few years.

Trade

Exports

Only peanuts and confectionary sunflower seeds are exported. While the quantity is relatively small the total value of peanut exports has been increasing, with Italy, Belgium, and Germany the primary destination. As a result of the increase in sunflower oil prices, the value of sunflower exports is increasing. Spain is the primary destination for sunflower seeds.

Imports

Despite the increase in world soybean prices in 2006/07, and the increased imports of sunflower meals from eastern Europe, soybean imports experienced a moderate growth (up 8 percent) in 2006/07. However, U.S. market share was unchanged compared to the previous year (36 percent market share).

In the first five months of 2007/08, the U.S. market share for soybeans increased by nearly 9 percent compared to the same time period one year ago (64 percent market share). However, as the South American new crop becomes increasingly available (from March-April), crushers will purchase mostly Brazilian and Argentinean soybeans for the remainder of the year (because of the farmer strike in Argentina, Argentina exports were shut down for several weeks in march, and importers in many countries switched imports from Argentina to U.S. The strike has still not sorted itself out, and Argentina is still not back to fully exporting again. Nonetheless, U.S. sales to Israel this year are just slightly above the pace of a year ago, so Israel may have not switched much.)

Soybean imports are forecast to remain relatively stable at about 550-600,000 tons in the next few years. U.S. share of soybeans is projected to remain at about 30-38 percent in the forthcoming years.

[1] Exchange Rate - $1=NIS3.50

Table 2: Oilseeds and Meals Imports to Israel, MY[2], Thousand Metric Tons

MY	Soybeans	Meals	Rapeseeds	Other Substitutes	Total Import
2001/02	679	113	45	48	885
2002/03	580	111	37	26	754
2003/04	570	255	41	39	905
2004/05	681	222	37	31	971
2005/06	534	288	47	0	869
2006/07	576	405	48	10	1,039
2006/07 (5 months)	222	178	18	4	422
2007/08 (5 months)	240	99	6	12	357

Source: Ministry of Agriculture, Office of Prices and Supply

Table 3: U.S. Oilseeds and Meals Imports to Israel, MY, Thousand Metric Tons

MY	Soybeans	Meals	Rapeseeds	Other Substitutes	Total Import From the U.S.
2001/02	530	23	0	32	403
2002/03	259	36	0	10	305
2003/04	163	35	8	17	223
2004/05	163	5	0	17	188
2005/06	191	0	0	0	191
2006/07	206	75	0	0	281
2006/07 (5 months)	132	53	0	0	185
2007/08 (5 months)	153	0	0	0	153

Source: Ministry of Agriculture, Office of Prices and Supply

Table 4: U.S. Share Out of Total Oilseeds and Meals Imports (Percent)

MY	Soybeans	Meals	Rapeseeds	Other Substitutes	Total Import From the U.S.
2001/02	78.1	20.4	0.0	66.7	45.5
2002/03	44.7	32.4	0.0	38.5	40.4
2003/04	28.6	13.7	19.5	43.6	24.6
2004/05	23.9	2.3	0.0	54.8	19.3
2005/06	35.8	0.0	0.0	0.0	22.0
2006/07	35.8	18.5	0.0	0.0	27.0
2006/07 (5 months)	59.5	29.8	0.0	0.0	43.8
2007/08 (5 months)	63.8	0.0	0.0	0.0	42.9

Source: Ministry of Agriculture, Office of Prices and Supply

[2] October - September

Import Trade Matrix, Soybean

The following table summarizes Israeli soybean imports.

Import Trade Matrix Israel Oilseed, Soybean (TMT)			
Time Period: CY			
Imports for:	**2006**		**2007**
U.S.	251	U.S.	204
Others	0	Others	0
Total for Others	0	Total for Others	0
Others not Listed	307	Others not Listed	361
Grand Total	558	Grand Total	565

Oil Meals

PSD Table Israel Meal, Soybean										
	2006	Revised		2007	Estimate		2008	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		10/2006	10/2006		10/2007	10/2007		10/2008	10/2008	MM/YYYY
Crush	430	630	550	445	0	560	0	0	573	(1000 MT)
Extr. Rate, 999.9999	0.795349	0.755556	0.727273	0.791011	0	0.723214	0	0	0.724258	(PERCENT)
Beginning Stocks	0	5	0	4	5	13	4	0	6	(1000 MT)
Production	342	476	400	352	0	405	0	0	415	(1000 MT)
MY Imports	74	89	135	57	0	119	0	0	121	(1000 MT)
MY Imp. from U.S.	50	8	75	20	0	20	0	0	25	(1000 MT)
MY Imp. from EU	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Supply	416	570	535	413	5	537	4	0	542	(1000 MT)
MY Exports	5	0	0	0	0	0	0	0	0	(1000 MT)
MY Exp. to EU	5	0	0	0	0	0	0	0	0	(1000 MT)
Industrial Dom. Cons.	0	0	0	0	0	0	0	0	0	(1000 MT)
Food Use Dom. Cons.	0	0	0	0	0	0	0	0	0	(1000 MT)
Feed Waste Dom. Cons.	407	565	522	409	0	531	0	0	540	(1000 MT)
Total Dom. Cons.	407	565	522	409	0	531	0	0	540	(1000 MT)
Ending Stocks	4	5	13	4	0	6	0	0	2	(1000 MT)
Total Distribution	416	570	535	413	0	537	0	0	542	(1000 MT)
CY Imports	0	110	115	0	0	100	0	0	75	(1000 MT)
CY Imp. from U.S.	67	8	62	60	0	38	0	0	30	(1000 MT)
CY Exports	0	0	0	0	0	0	0	0	0	(1000 MT)
CY Exp. to U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)
SME	407	565	522	409	0	531	0	0	540	(1000 MT)

Production

Oil meal production is primarily for the poultry sector. It is limited by crushing capacity and complemented by imports. Total annual oil meal demand is about 820-840 thousand tons, while local production is around 405-420 thousand tons. Local soybean meal production is forecast to increase about 5 percent in 2007/08.

Local crushers can produce 44 percent and Hi Pro soy meals (48 percent). In 2007, out of total local soy meal production, about 80 percent was 48 percent. It is the first year that most of production was 48 percent. This trend is expected to continue in the next years. Local crushing plants cannot satisfy the growing demand for Hi-Pro meal and shortage is satisfied by imports. Out of total soy meal consumption in 2006/07 (515 tmt), 26 percent (135 tmt) was imported.

As a result of the relatively low price of sunflower meal compared to other oil meals, it is the second consecutive year that sunflower meal imports increased. Imports of sunflower meal increased at the expense of local soy meal production. Three processing plants produce oil meals.

Table 5: Total Annual Oil Meal Consumption, CY 2007, TMT

	Thousand Tons	Percent
Local Soy Meal Production	380	45.5
Imported Soy Meal	135	16.2
Total Soy Meal	**515**	**61.7**
Local Canola Meal Production	25	3.0
Imported Canola Meal	60	7.2
Total Canola Meal	**85**	**10.2**
Imported Sunflower Meal	235	28.1
Total Annual Consumption	**835**	**100.0**

Feed demand is forecast to increase only slightly in 2007/08. Due to the significant increase in world grains and oilseed prices, from June 2007 through February 2008, local feed mix prices increased by an average of 31 percent (see table 7).

Soybean Meal Prices

From March 2007 through March 2008, soy meal prices increased 73 percent. The changes were dictated by the price for soybeans in the Chicago Board of Trade (CBOT).

Table 6: Prices for Feed Grains and Oilseeds, $ Per Ton (at the feed mill gate)

	March 2007	February 2008	March 2008	% Change March 2008 Compared to March 2007
Corn	$235	$318	$320	36%
Wheat	$228	$390	$405	78%
Barley	$234	$400	$410	75%
Gluten Feed	$175	$310	$310	77%
Canola Meal	$210	$370	$375	79%
Sunflower Meal (37%)	$190	$368	$375	97%
Soy Meal (44%)	$320	$540	$555	73%
D.D.G	$205	$350	$350	71%

Source: Israeli Cattle Breeder's Association

Table 7: Local Monthly Average Price for Feed Mix, $ Per Ton

	Feed Mix For Broilers	Feed Mix For Turkeys	Feed Mix For Cattle
6/2007	$357	$327	$274
7/2007	$386	$356	$291
8/2007	$398	$370	$307
9/2007	$405	$375	$319
10/2007	$426	$400	$340
11/2007	$449	$424	$359
12/2007	$445	$420	$358
1/2008	$467	$425	$365
2/2008	$466	$425	$365
Average Price	**$422**	**$391**	**$331**
% Change February 2008 Compared to June 2007	**31%**	**30%**	**33%**

Source: Price Statistics Monthly, CBS.

Trade

Exports

No exports of oil meals or feed were recorded in 2007. Approximately 7 percent of Israeli feed mix sales are to the Palestinian Authority (PA), mainly for poultry, sheep and goats.

Imports

Data for the first 5 months of 2007/08 (October-February) show total oil meal imports have decreased significantly from the same period one year ago (from 178 tmt to 99 tmt). Due to the dramatically increase in imports of all oil meals in 2006/07, Israel has surpluses in it's oil meals stocks (sunflower meal), therefore it is projected that total oil meal imports in 2007/08 will decrease by 25-40 percent (mainly sunflower meals) compared to the previous MY, and will reach about 240-280 tmt.

Soybean meal imports are forecast to decrease by about 5-10 percent in 2007/08. Local companies import only 48 percent soy meal (dehulled soybeans). Out of the total oil meals imports in 2006/07 (435 tmt), approximately 135 tmt (31 percent) was soy meal, 255 tmt (58 percent) sunflower meal, and the remainder was canola meal (11 percent). Out of total soy meal imports in 2006/07, about 75 tmt soy meals (55% market share) were imported from the U.S. and the rest was imported from Argentina and Brazil. Sunflower meal is imported mainly from Ukraine and canola meals are imported mainly from France and Germany.

As a result of the high price of U.S. soy meal combined with high shipping costs, it is expected that American soy meal imports in 2007/08 will decrease dramatically and will total about 20-25 tmt, compared to 75 tmt in 2006/07. All in all, Argentinean and Brazilian market share will increase on the account of the American market share.

Import Trade Matrix, Meal

Import Trade Matrix Israel Meal, Soybean (TMT)			
Time Period: CY			
Imports for:	**2006**		**2007**
U.S.	62	U.S.	38
Others	0	Others	0
Total for Others	0	Total for Others	0
Others not Listed	53	Others not Listed	62
Grand Total	115	Grand Total	100

Israel-Mercosur FTA Agreement

Recently, Israel signed a free trade agreement with Mercosur countries (Argentina, Brazil, Paraguay and Uruguay), including an agreement on trade in agricultural products. According to the agreement, during the first four years, the tariff on soy meal will decrease in 4 steps and will reach 4.5 percent at the end of the four years. With this decline, Mercosur meal imports will have the same import duty as the U.S. meal under the U.S.-Israel ATAP. As a result of the decrease of tariff on Mercosur soy meals, the competitiveness of U.S. soy meal will be eroded, which will likely lead to a further decline in U.S. meal exports when the Israel-Merc osur FTA will comes into affect.

Table 8: Tariffs on Oils and Soy Meals, Percent

Other Meals		Soy / Canola Oil		Soy Meal	
U.S. EU	Other Countries	U.S. EU	Other Countries	U.S. EU	Other Countries
2	2.8	4	7	4.5	7.5

Vegetable Oils

PSD Table
Israel
Oil, Soybean

	2006	Revised		2007	Estimate		2008	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		10/2006	10/2006		10/2007	10/2007		10/2008	10/2008	MM/YYYY
Crush	430	630	550	445	0	560	0	0	573	(1000 MT)
Extr. Rate, 999.9999	0.17907	0.179365	0.18181	0.17977	0	0.182143	0	0	0.18499	(PERCENT)
Beginning Stocks	2	2	2	1	0	1	2	0	1	(1000 MT)
Production	77	113	100	80	0	102	0	0	106	(1000 MT)
MY Imports	20	10	10	25	0	12	0	0	14	(1000 MT)
MY Imp. from U.S.	0	1	0	0	0	0	0	0	0	(1000 MT)
MY Imp. from EU	0	2	2	0	0	1	0	0	2	(1000 MT)
Total Supply	99	125	112	106	0	115	2	0	121	(1000 MT)
MY Exports	1	0	1	1	0	1	0	0	1	(1000 MT)
MY Exp. to EU	0	0	1	0	0	0	0	0	0	(1000 MT)
Industrial Dom. Cons.	46	58	60	49	0	63	0	0	65	(1000 MT)
Food Use Dom. Cons.	51	67	50	54	0	51	0	0	53	(1000 MT)
Feed Waste Dom. Cons.	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Dom. Cons.	97	125	110	103	0	113	0	0	118	(1000 MT)
Ending Stocks	1	0	1	2	0	1	0	0	2	(1000 MT)
Total Distribution	99	125	112	106	0	115	0	0	121	(1000 MT)
CY Imports	20	10	13	25	0	17	0	0	12	(1000 MT)
CY Imp. from U.S.	0	1	0	0	0	0	0	0	0	(1000 MT)
CY Exports	1	0	1	1	0	1	0	0	1	(1000 MT)
CY Exp. to U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)

Production

Soy, canola, olive, rapeseed and sunflower oils are produced in Israel, and production is growing slightly to keep pace with moderately rising demand and trends in soy crush.

Consumption and Household Expenditure on Vegetables Oils

Consumption of vegetable oil is increasing modestly, in line with population growth and increases in demand for olive oil and canola oil.

Prices

Local annual average prices for all vegetables oils in 2007 increased significantly compared to the previous year. It is estimated that imported oil prices were higher by an average of 5-10 percent compared to local oil prices. From June 2007 through February 2008, the soy oil price increased by 23 percent.

Table 9: Local Monthly Retail Average Price for Soy and Olive Oils

	Soy Oil – 1 Liter	Olive Oil – 0.75 Liter
6/2007	$2.06	$9.43
7/2007	$2.12	$9.53
8/2007	$2.18	$9.37
9/2007	$2.20	$8.88
10/2007	$2.20	$9.23
11/2007	$2.28	$9.37
12/2007	$2.32	$9.36
1/2008	$2.39	$9.57
2/2008	$2.53	$9.45

Source: Price Statistics Monthly, CBS.

Trade

Imports

Total oil imports increased an average of 10-15 percent in 2007. This trend is expected to continue in the forthcoming years. Soy oil imports account for about 10 percent of domestic use, while total oil imports represent approximately 20 percent of local oil consumption. Soy oil is imported mainly from S. America (Argentina and Brazil), and canola oil is imported primarily from Belgium. Palm oil is imported from Malaysia and Indonesia, only for the industrial sector.

Table 10: Imports of Soybean Oil and its Derivatives, whether or not refined, but Not Chemically Modified, Country of Purchase, CY, $ Thousands

	Value ($ Thousands)		% of Total Imports	
Origin	**2005**	**2006**	**2005**	**2006**
Greece	0	871	0.0	15.2
Netherlands	67	60	0.7	1.0
Portugal	214	0	2.1	0.0
Germany	1,171	2	11.7	0.0
Others	86	2	0.8	0.0
Total Europe	**1,538**	**935**	**15.4**	**16.3**
U.S.	818	2	8.2	0.0
Argentina	6,064	3,779	60.7	66.0
Brazil	1,578	1,006	15.8	17.6
Total Out of Europe	**8,460**	**4,787**	**84.6**	**83.7**
Grand Total	**9,998**	**5,722**	**100.0**	**100.0**

Source: CBS, Foreign Trade Statistics, Different Years

Table 11: Imports of Palm Oil and its Derivatives, whether or not refined, but Not Chemically Modified, Country of Purchase, CY, $ Thousands

	Value ($ Thousands)		% of Total Imports	
Origin	**2005**	**2006**	**2005**	**2006**
Total Europe	**83**	**1,200**	**0.7**	**6.1**
Malaysia	2,007	5,047	15.9	25.7
Singapore	8,057	7,320	63.7	37.3
Indonesia	2,498	6,077	19.8	30.9
U.S.	2	1	0.0	0.0
Total Out of Europe	**12,564**	**18,445**	**99.3**	**93.9**
Grand Total	**12,647**	**19,645**	**100.0**	**100.0**

Source: CBS, Foreign Trade Statistics, Different Years.